

NAVARRO COUNTY, TEXAS

SINGLE AUDIT REPORT

SEPTEMBER 30, 2019

NAVARRO COUNTY, TEXAS

SINGLE AUDIT REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2019

	<u>Page Number</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	3 – 4
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs.....	7 – 8
Summary Schedule of Prior Audit Findings.....	9 – 11



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Judge and
Members of the Commissioners' Court
Navarro County, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Navarro County, Texas ("the County"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2019-001 and 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County’s Response to Findings

The County’s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 29, 2020



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable Judge and
Members of the Commissioners’ Court
Navarro County, Texas

Report on Compliance for Each Major Federal Program

We have audited Navarro County, Texas’ (“the County”), compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended September 30, 2018⁹. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County’s compliance.

Opinion on Each Major Federal Program

In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's, internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Navarro County, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Navarro County, Texas' basic financial statements. We issued our report thereon dated June 29, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on those financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 29, 2020

NAVARRO COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Justice</u>			
Direct Programs:			
State Criminal Alien Assistance Program	16.606	2018-H0557-PX-AP	\$ 22,389
Equitable Sharing Program	16.922	TX1750000	<u>4,704</u>
Total U. S. Department of Justice			<u>27,093</u>
 <u>U. S. Office of National Drug Control Policy</u>			
Direct Programs:			
High Intensity Drug Trafficking Area (HIDTA)	95.001	G17NT0001A	542,232
High Intensity Drug Trafficking Area (HIDTA)	95.001	G18NT0001A	2,429,139
High Intensity Drug Trafficking Area (HIDTA)	95.001	G19NT0001A	<u>240,059</u>
Total Direct Programs			<u>3,211,430</u>
Total U. S. Office of National Drug Control Policy			<u>3,211,430</u>
 Total Expenditures of Federal Awards			 \$ <u>3,238,523</u>

NAVARRO COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2019

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state financial assistance programs of Navarro County, Texas, for the year ended September 30, 2019. The County's reporting entity is defined in Note 1 to the County's financial statements. Federal financial assistance received directly from federal agencies and other agencies are included in the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's financial statements.

3. BASIS OF ACCOUNTING

The County has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

4. RECONCILIATION OF FEDERAL REVENUES AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following is the reconciliation of federal revenues and the Schedule of Expenditures of Federal Awards for the fiscal year:

Intergovernmental revenue - HIDTA Fund on the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds	\$ 3,400,521
Program income	(189,091)
Federal expenditures on the Schedule of Expenditures of Federal Awards	\$ <u>3,211,430</u>

NAVARRO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	Items 2019-001 and 2019-002
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	None reported
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major federal programs	Unmodified
--	------------

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance?	None reported
--	---------------

Identification of major federal programs:

CFDA Number: 95.001	Name of Federal Program: High Intensity Drug Trafficking Areas Program
------------------------	---

Dollar threshold used to distinguish between type A and type B federal programs	\$750,000
---	-----------

Auditee qualified as low-risk auditee for federal single audit?	No
---	----

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

Items 2019-001 and 2019-002

Findings and Questioned Costs for Federal Awards

N/A

NAVARRO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Item 2019-001 (Recurring): Bank Reconciliations

Criteria: Bank reconciliations should be performed for every cash account in order to prepare accurate financial statements. Reconciling cash to the general ledger is an important step in preventing material errors or fraud.

Cause: During our audit, we noted the County was reconciling its bank accounts to the general ledger, but adjustments were recorded to the general ledger accounts subsequent to the reconciliation.

Effect: The transactions are posted to cash general ledger.

Cause: Certain transactions are posted to cash general ledger accounts after the bank reconciliation is performed.

Recommendation: All bank accounts should be reconciled to the general ledger on a timely basis, and then adjustments to those accounts should be prohibited.

Management's Response: The County is in the process of implementing controls to ensure adjustments are not posted to cash subsequent to the reconciliation of bank accounts to the general ledger.

Item 2019-002 (Recurring): Due to/from Other Funds

Criteria: All interfund balances should be reconciled to detect errors both intentional and unintentional.

Condition: The County's interfund balances were not reconciled to the general ledger.

Cause: Internal controls to ensure interfund balances are reconciled properly were not implemented.

Effect: The lack of controls creates an environment in which errors could go undetected within a timely manner.

Recommendation: Interfund balances should be reconciled to the general ledger and reviewed on a monthly basis.

Management's Response: In the future, management will reconcile interfund balances monthly.



NAVARRO COUNTY AUDITOR'S OFFICE

300 West 3rd Ave., Suite 4
Corsicana, Texas 75110
e-mail: auditor@navarrocounty.org

Natalie Robinson, First Assistant
Kaye Martin, Assistant
Patty Wells, Assistant
Lisa Clay, Assistant
Jane Wise, Administrative Asst.

Terri L. Gillen
County Auditor

Phone: (903) 654-3095 Fax: (903) 654-3097

NAVARRO COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

**Findings Relating to the Financial Statements Which Are
Required to be Reported in Accordance with Generally
Accepted Government Auditing Standards**

Item 2018-001 (Recurring): **Bank Reconciliations**

Criteria: Bank reconciliations should be performed for every cash account in order to prepare accurate financial statements. Reconciling cash to the general ledger is an important step in preventing material errors or fraud.

Cause: During our audit, we noted the County was reconciling its bank accounts to the general ledger, but adjustments were recorded to the general ledger accounts subsequent to the procedure was performed.

Effect: The transactions are posted to cash general ledger.

Cause: Certain transactions are posted to cash general ledger accounts after the bank reconciliation is performed.

Recommendation: All bank accounts should be reconciled to the general ledger on a timely basis, and then adjustments to those accounts should be prohibited.

Current Status: Current year finding

Item 2018-002 (Recurring): **Due to/from Other Funds**

Criteria: All interfund balances should be reconciled to detect errors both intentional and unintentional.



NAVARRO COUNTY AUDITOR'S OFFICE

300 West 3rd Ave., Suite 4
Corsicana, Texas 75110
e-mail: auditor@navarrocounty.org

Natalie Robinson, First
Assistant

Kaye Martin, Assistant

Patty Wells, Assistant

Lisa Clay, Assistant

Jane Wise, Administrative
Asst.

Terri L. Gillen
County Auditor

Phone: (903) 654-3095 Fax: (903) 654-3097

NAVARRO COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Condition:</u>	The County's interfund balances were not reconciled to the general ledger.
<u>Cause:</u>	Internal controls to ensure interfund balances are reconciled properly were not implemented.
<u>Effect:</u>	The lack of controls creates an environment in which errors could go undetected within a timely manner.
<u>Recommendation:</u>	Interfund balances should be reconciled to the general ledger and reviewed on a monthly basis.
<u>Current Status:</u>	Current year finding

Findings and Questioned Costs for Federal Awards

Item 2018-003 (Recurring): HITDA, CFDA 95.001

<u>Compliance Requirement:</u>	Reporting
<u>Criteria:</u>	Title 2 CFR 200.512 requires that the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.
<u>Cause:</u>	There were some accounting items that required resolution prior to issuance of report.



NAVARRO COUNTY AUDITOR'S OFFICE

300 West 3rd Ave., Suite 4
Corsicana, Texas 75110
e-mail: auditor@navarrocounty.org

Natalie Robinson, First
Assistant

Kaye Martin, Assistant

Patty Wells, Assistant

Lisa Clay, Assistant

Jane Wise, Administrative

Asst.

Terri L. Gillen
County Auditor

Phone: (903) 654-3095 Fax: (903) 654-3097

NAVARRO COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Effect:

Because the data collection form was not submitted within nine months of the audit period, the County did not comply with Title 2 CFR 200.512.

Recommendation:

The County should make all efforts to ensure the data collection form is submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Current Status:

The County has submitted its data collection form within the allowed timeframe for its fiscal year 2019 audit; thus, this matter has been resolved.